

**TESTIMONY OF JACQUELINE R. CHERRY  
FOR**

**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**DOCKET NO. 2004-2-E**

**IN RE: SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS  
ADDRESS  
AND POSITION WITH THE PUBLIC SERVICE COMMISSION OF  
SOUTH  
CAROLINA?**

**A.** My name is Jacqueline R. Cherry. My business address is 101  
Executive  
Center Drive, Columbia, South Carolina. I am employed by the Public  
Service Commission of South Carolina, Audit Department, as an  
auditor.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.**

**A.** I received a B. S. Degree in Business Administration, with a major in  
Accounting from Johnson C. Smith University in 1976. I was employed  
by this Commission in February 1979, and have participated in cases  
involving gas, electric, telephone, water and wastewater utilities.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
2 **PROCEEDING?**

3 **A.** The purpose of my testimony is to summarize the results of the Audit  
4 Staff's examination of South Carolina Electric & Gas Company's Fuel  
5 Adjustment Clause operation for the period March 2003 through April  
6 2004. The findings of the examination are contained in the Audit  
7 Department's section of the Commission Staff Report.

8 **Q. WHAT WAS THE SCOPE OF YOUR AUDIT?**

9 **A.** The Audit Department Staff traced the information as filed in the  
10 Company's required monthly filing, to the Company's books and  
11 records. The current examination covered the period March 2003  
12 through April 2004. However, since this current hearing was  
13 scheduled for April 2004, Staff's audit work did not include any testing  
14 for the months of March and April 2004. The purpose of the audit was  
15 to determine if South Carolina Electric & Gas Company had computed  
16 and applied the monthly Fuel Adjustment Clause in accordance with  
17 the approved clause. To accomplish this, Staff examined the  
18 components surrounding the operation of the clause.

19 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN**  
20 **THE SCOPE OF THE AUDIT?**

21 **A.** The examination consisted of the following:  
22 1. Analysis of Account # 151 – Fuel Stock  
23 2. Sample of Receipts to the Fuel Stock Account – Account # 151  
24 3. Verification of Charges to Nuclear Fuel Expense, Account #  
25 518  
26 4. Verification of Purchased Power & Interchange  
27 5. Verification of KWH Sales  
28 6. Analysis of Spot Coal Purchasing Procedures

- 1           7.    Recomputation of Fuel Adjustment Factor and Verification of  
2           Deferred Fuel Costs  
3           8.    Recomputation of True-up for the Over (Under)-Recovered  
4           Fuel Costs  
5           9.    Details of Fuel Costs  
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8   **Q.   WITH REGARD TO THE TRUE-UP OF OVER/(UNDER)-**  
9   **RECOVERED FUEL COSTS, WOULD YOU PLEASE ELABORATE**  
10 **ON STAFF'S COMPUTATION?**

11 **A.**   Staff analyzed the cumulative (under)-recovery of fuel costs that the  
12   Company had incurred for the period March 2003 through February  
13   2004, which totaled (\$15,099,348). Staff added the projected (under)-  
14   recovery of (\$2,164,230) for the month of March 2004 and the projected  
15   (under)-recovery of (\$1,512,720) for April 2004 to arrive at a cumulative  
16   (under)-recovery of (\$17,429,464). The Company's cumulative (under)-  
17   recovery as of April 2004, per its testimony in Docket No. 2003-2-E  
18   {Exhibit No. – (JRH-1)}, totals \$(22,862,377). The difference between  
19   the Company's and the Staff's cumulative (under)-recovery totals  
20   (\$5,432,913). This difference is based on a carry-forward of various  
21   Purchase Power corrections made by Staff in Docket No. 2003-2-E for  
22   the period March 2002 through February 2003 that did not appear on  
23   SCE&G 's testimony exhibits (because these were corrections  
24   contested by the Company) and SCE&G's recently signed 60% - 40%

1 Stipulation on fuel cases in 2003 and 2003 in the amount of \$  
2 25,618,063. Staff's Exhibit G, Computation of Unbilled Revenue, which  
3 consists of 4 pages, provides detailed explanations for this cumulative  
4 (under)-recovery difference.

5 As stated in South Carolina Electric & Gas Company's Adjustment for  
6 Fuel Costs, fuel costs will be included in base rates to the extent  
7 determined reasonable and proper by the Commission.

8 Accordingly, the Commission should consider the (under)-recovery of  
9 (\$17,429,464) along with the anticipated fuel costs for the period May 1,  
10 2004 through April 30, 2005, for the purpose of determining the base  
11 cost of fuel in base rates effective May 1, 2004. This (\$17,429,464)  
12 (under)-recovery figure was provided to the Commission's Utilities  
13 Department.

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18 **Q. MRS. CHERRY, WOULD YOU PLEASE EXPLAIN THE**  
19 **ADJUSTMENTS ON STAFF AUDIT EXHIBIT G?**

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21 **(1)** Staff's cumulative (under)-recovery balance brought forward from  
22 February 2003 of (\$16,421,821) differs from the Company's beginning  
23 cumulative (under)-recovery balance (from February 2003) of

1 (\$21,878,559) by (\$5,456,738). This cumulative difference was based  
2 on Staff's corrections to Fossil Fuel Burned Costs and Purchased Power  
3 Costs for several months, as reflected in the last fuel review period. It  
4 should be noted that the Company, in its testimony, reflects cumulative  
5 corrections of \$38,245 in May 2003. A portion of this figure, \$ 23,825  
6 are corrections that the Company agreed with Staff from the last review  
7 period. The remaining \$ 14,420 are Company true-ups corrections for  
8 previous months.

9  
10 **(2)** Staff's Purchased Power figures for March 2003 through February  
11 2004 and the resultant over (under)-recovery monthly deferred fuel  
12 amounts for March 2003 through February 2004 reflects Staff's  
13 compliance with the recently revised section of the S.C. Fuel Statute  
14 (updated as of February 2004). This Statute addresses "fuel costs  
15 related to purchased power". Section 7 (2)(b) of the revised Statute  
16 stated that the delivered cost of economy purchases, including  
17 transmission charges, could be included in Purchased Power Costs if  
18 those type of purchases were proven to be "less than the purchasing  
19 utility's avoided variable costs for the generation of an equivalent  
20 quantity of electric power". After Staff applied this revised Statute to the  
21 examined economic purchases along with the applicable avoided cost,  
22 Staff's adjustment to Purchased Power Costs, on a total system basis,

1        totaled \$ 4,055. As mentioned previously, according to the new Statute  
2        section, transmission charges could be included in the delivered cost of  
3        economy purchases. The Company's per books, economic purchases  
4        included wheeling (transmission) charges for the review period. The  
5        Audit Staff did examine and include economy purchases' transmission  
6        charges totaling \$ 998,623. Also, based on the new Statute section,  
7        after comparing the economy purchases (with the additions of  
8        transmission charges) to the Company's applicable avoided costs,  
9        Staff's avoided costs adjustment still totaled \$ 4,055. This figure reflects  
10       the usage of an avoided cost as a lesser price, at that point in time, over  
11       a purchase price. Staff examined the Company's monthly avoided cost  
12       figures and based on a comparison against the Company's economy  
13       purchases, Staff's avoided cost adjustment totaled \$ 4,055. After Staff's  
14       adjustments, on a S.C. jurisdictional basis, Staff's cumulative (under)-  
15       recovery balances, as of actual February 2004 totaled (\$ 15,099,348)  
16       and as of estimated April 2004 totaled (\$ 17,429,464). The Company's  
17       cumulative (under)-recovery balance, on a S.C. jurisdictional basis, as of  
18       actual February 2004, per its testimony in Docket No. 2004-2-E, totals (\$  
19       20,532,261) and as of estimated April 2004 totals (\$ 22,862,377). The  
20       respective cumulative (under)-recovery balance difference, on a S.C.  
21       jurisdictional basis, between the Staff and Company as of actual  
22       February 2004 and as of estimated April 2004 is (\$5,432,913). Staff

1 notes that this difference was due to corrections contested by the  
2 company.

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6 **(3)** In May 2003, August 2003 and Sept. 2003 the Company had true-  
7 ups for various Company corrections to such costs as Fossil Fuel Costs  
8 and Purchased Power Costs calculations that were applicable to  
9 corrections made to Fossil Fuel Costs.

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11 **(4)** For each month of the review period, the Plant Urquhart Fixed  
12 Capacity Gas Transportation Charge of \$ 673,417 is deducted from  
13 each monthly deferred fuel entry per PSC Order No. 2003-38 (The  
14 Company's latest rate case).

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20 **Q. MRS. CHERRY, WOULD YOU PLEASE DESCRIBE THE REMAINING**  
21 **STAFF EXHIBITS?**

22 **A.** Staff prepared exhibits from South Carolina Electric & Gas Company's  
23 books and records reflecting fuel costs during the review period.  
24 Specifically, these exhibits are as follows:

- 1       Exhibit A:     Total Received & Weighted Average Cost
- 2       Exhibit B:     Received Coal-Cost Per Ton (Per Plant)
- 3       Exhibit C:     Received Coal-Cost Per Ton Comparison
- 4       Exhibit D:     Burned Cost-Consumed Generation
- 5       Exhibit E:     Cost of Fuel
- 6       Exhibit F:     Factor Computation
- 7       Exhibit G:     Computation of Unbilled Revenue

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9       **Q.   MRS. CHERRY, WHAT WERE THE RESULTS OF THE AUDIT**  
10       **DEPARTMENT’S REVIEW?**

11      **A.**   Based on the Audit Staff’s examination of South Carolina Electric & Gas  
12       Company’s books and records, and the utilization of the fuel cost  
13       recovery mechanism as directed by the Commission, the Audit  
14       Department is of the opinion that the Company has complied with the  
15       directives (per the Fuel Adjustment Clause) of the Commission.

16      **Q.   MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?**

17      **A.**   Yes, it does.